

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6946

BILL NUMBER: HB 1093

NOTE PREPARED: Dec 30, 2009

BILL AMENDED:

SUBJECT: Historic Rehabilitation Tax Credits.

FIRST AUTHOR: Rep. Dvorak

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: ☒ **GENERAL**
☐ **DEDICATED**
☐ **FEDERAL**

IMPACT: State & Local

Summary of Legislation: This bill provides that the Historic Rehabilitation Income Tax Credit may be assigned. It provides that the credit may be recaptured from the person who receives the certification or from an assignee to whom the property is transferred. It repeals and replaces the current definition of "taxpayer" for purposes of the Historic Rehabilitation Credit. It provides that the transfer of the property as a condominium does not cause the credit to be recaptured. (Current law provides that the credit is recaptured if the property is transferred within five years of the completion of the rehabilitation or preservation.) The bill also provides that the adjusted basis of the property is not reduced by the amount of credit if a person is entitled to a federal low-income housing credit for the historic property.

Effective Date: Upon passage; July 1, 2010.

Explanation of State Expenditures: *Department of State Revenue (DOR):* The DOR will incur additional expenses to revise tax forms, instructions, and computer programs to reflect the changes in the tax credit. DOR's current level of resources should be sufficient to implement these changes.

Division of Historic Preservation and Archaeology (DHPA): The bill makes several changes to the Historic Rehabilitation Income Tax Credit. As a result, credit application forms will need to be revised, which may result in increased administrative costs.

Explanation of State Revenues: *Summary* - The bill allows a taxpayer who is entitled to claim the Historic Rehabilitation Tax Credit to assign any portion of the credit to another taxpayer, and the assignor must provide written notification of the assignment to the DOR and the DHPA. In recent years, the amount of tax credits claimed has not reached the \$450,000 cap, so making the credits assignable will likely cause this to

occur. It also provides that the credit may be recaptured from the person who receives the certification or from an assignee to whom the property is transferred, and that the transfer of the property as a condominium will not cause the credit to be recaptured. Current statute provides the credit is recaptured if the property is transferred within five years of the completion of the rehabilitation or preservation. The bill also includes that the adjusted basis of the property is not reduced by the amount of credit if a person is entitled to a federal low-income housing credit for the historic property. The impact of these changes is indeterminable.

Background Information on the Historic Rehabilitation Tax Credit - In 2005, 72 taxpayers claimed \$355,372; in 2006, 50 taxpayers claimed \$117,026; and in 2007, 57 taxpayers claimed \$217,783 in Historic Rehabilitation Tax Credits on Indiana individual income tax returns. Data was not available for corporate taxpayers. Current statute provides for a nonrefundable AGI Tax credit for individual and corporate taxpayers equal to 20% of the historic preservation or rehabilitation expenditures made by the taxpayer. The expenditures must exceed \$10,000 and must be certified by the Department of Natural Resources (DNR). Current statute prohibits the aggregate amount of credits claimed by taxpayers during a fiscal year from exceeding \$450,000. The tax credit is nonrefundable, but excess credits may be carried forward for 15 years. The tax credit may not be carried back. Revenue from the AGI Tax on individuals and corporations is distributed to the state General Fund.

Historic Rehabilitation Tax Credit Projects: The DHPA approves all qualifying Indiana Historic Rehabilitation Tax Credit projects. The \$450,000 allocation for the current fiscal year was certified for projects that were approved between September 2001 and June 2002. The allocation for the present fiscal year was utilized by seven projects. Three of these projects exceeded \$500,000 in qualified costs and maximized the \$100,000 per project cap.

The tax credit, which is calculated at 20% of qualified costs, only subsidized 7.5% of approved project costs for this group of projects. The DHPA is currently approving credits for FY 2022.

Explanation of Local Expenditures:

Explanation of Local Revenues:

State Agencies Affected: DOR; DHPA, DNR.

Local Agencies Affected:

Information Sources: David Duvall, DHPA, 232-1635.

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